

13 January 1976

MEMORANDUM FOR: Deputy to the DCI for the
Intelligence Community

ATTENTION : Chief, Collection and Processing
Assessment Division

SUBJECT : FY 1975 KEP

REFERENCE : DCI Memo to DDI, same subject,
dated 28 November 1975

1. The DCI transmitted to the DDI an interim report on the status of the FY 1975 KEP. In the covering memorandum transmitted as reference, the DCI raised several questions about the DDI/DDS&T production data inputs which were described as being difficult to rationalize. Since the DCI did not ask for a response, and it was quite obvious the IC Staff raised the questions for Mr. Colby, a comment on each is herewith provided to clarify some of the data.

2. These comments have been discussed with Mr. Proctor and have his concurrence. He also understands that they are being provided directly to the IC Staff and not back through Mr. Colby. If there are other questions, we will be pleased to attempt to provide answers or explanations.

[Redacted]
CIA FY 1975 KEP Production Monitor

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Attachment:
Comments on KEP 1975 Questions

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Q. (a) Why were only 1/3 of DDI FY 1975 intelligence production expenditures related to KIQs?

A. DDI O&M dollars provided by the IC Staff using FY 1975 CIRIS data were used as a basis. CGAS using the product listings by KIQ from the Publications Source Survey, consulted with each office to determine what O&M dollars were applicable to each of the KIQs on which they produced intelligence products. This is a key factor - our allocation of dollar costs were related to product. The 1/3 used in the question included CRS and OGCR. Much of OGCR's work in support of U.S. negotiations were not included as a "product" because of its highly restricted dissemination. In addition, OGCR's work on [redacted] became an input to OER's product and no accounting was made for OGCR's input. Similarly, other OGCR work results in inputs to the final product of other production offices of the Agency without accounting for OGCR cost. CRS

[redacted]
[redacted] serves primarily as support and services organizations to the CIA production process. In other words, these two offices are not high rate intelligence producers in the KIQ/KEP sense. For the major production offices of the DDI and DDS&T, 69% of their O&M dollars were KIQ related; OCI, OER, OSR, and OPR expended 53.5% of their aggregated O&M dollars on KIQ related products. These figures show only that by best estimate this is what we expended on KIQ production during FY 75. It appears reasonable that the major producers in the DDI spend about 1/2 of the production dollars on KIQs. Less than 1/3 or more than 2/3 would seem to be open to question or difficult to rationalize.

From this it is clear that better accounting procedures are necessary to obtain the full costs of product by accounting for the costs of major contributions (i.e., intermediate products) from one office into the products of some other office.

Q. (c) Why were nearly half of all CIA KIQ production expenditures made by DDS&T with only 1/3 of CIA's production resources?

A. It is not possible to directly correlate dollars and manpower in some intelligence production environments. It naturally costs the DDS&T, particularly OWI, more to get their product because of the need for contractor assistance. It would be prohibitive from a dollar and manpower standpoint to develop in-house capabilities to do the complex systems research for which they are charged. The OSI and DDI research operations are heavily in-house analyst-oriented. The OWI expenditure of about 30% of the production offices total is a very understandable break out of Agency production costs for major S&T research.

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Q. (b) Why were 1/2 of CIA's KIQ production expenditures concentrated on slightly more than 1/3 of the KIQs?

A. A detailed analysis is unnecessary to make the point that "some KIQs cost more to produce than others." The DDS&T spent 49% of their O&M dollars on 10 KIQs for which each consumed about [redacted] or more. The remaining 12 KIQs for which OWI registered a production cost amounted to 7% of their production expenditures.

The DDI produced on 91% of the KIQs and spent 53.5% of their O&M dollars.

The high cost intelligence research on foreign weapons systems which are covered by relatively few KIQs accounts for the bunching of dollars. (Also see the comments on Question c.)

Q. (c) While it seems appropriate that three-quarters of OCI's FY 75 KIQ effort (34% of OCI's total O&M budget) was focused on the 20 KIQs related to assessment of political and security situations -- Substantive Objective IV -- it is difficult to understand why those current intelligence expenditures for this Substantive Objective.

A. The objective most appropriately fits OCI's current intelligence production responsibilities because political and security type situations represent highly dynamic event-oriented intelligence problems. It would be difficult to rationalize an OCI expenditure of less than 50% for these KIQs. ✓

Considering the allocation of O&M dollars for these 20 KIQs relative to what each office spent for production on all the KIQs: OCI/72%, OER/13%, OSR/15%, OPR/21%. Office expenditures on these KIQs relative to the total O&M budget shows: OCI/34%, OER/6%, OSR/10%, OPR/19%. Frankly, the DDI is surprised that the figures for OER, OSR, and OPR are so high for this category of KIQs which is the primary responsibility of OCI.

These four offices expended a total [redacted] on these 20 KIQs. This represents 31% the total KIQ related expenditures for these offices and 17% of their aggregated O&M budgets. OCI as expected accounted for 64% of the O&M dollars expended on these 20 KIQs.

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This looks like a reasonable trend in office expenditures for the types of problems addressed in Objective IV.

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Q. (d) Why was less than 1% of CRS's activity during the year considered to be KIQ related?

A. CRS and the Cartography Division in OGCR are essentially support type units important to the production process but a vast majority of their activities do not fit into the KEP production report.

[Redacted]
office, the analysis showed an expenditure of less than 1% on CRS finished intelligence reports directly related to KIQs. This is a reasonable expectation when the primary mission of reference service and the mix of CRS's activities are considered.